

June 6, 2006

The Honorable Mayor and City Council  
Citizens of Gaithersburg

I am pleased to submit the adopted City Budget for Fiscal Year 2007. The priorities of this Budget place emphasis on the delivery of excellent community services, including public safety, and on capital budget initiatives that add to the quality of life for our residents. As always, we attempt to align our activities as directed by the Strategic Plan. The Mayor and City Council reviewed the Plan in detail at their recent annual retreat and they identified several programs and projects for priority status.

For the 43rd consecutive year, the City's budget can be funded without a tax rate increase. This remarkable record has been achieved through careful oversight of the budget process and our adherence to a "pay as you go" philosophy. We propose to maintain the real property tax rate at \$.212 per \$100 of assessed value. Additionally, the ad valorem tax on tangible personal property would remain at the rate of \$.53 per \$100 of assessed value. We feel that this budget allows us to keep an acceptable level of reserves, maintain a consistent tax rate, and avoid debt, while still providing a high level of core services and adding major Capital Improvement Projects.

City staff has undertaken discussions of a possible real property tax rate reduction in recent months, but have concluded that such a reduction is not feasible at this time. Funding of the construction and subsequent staffing and operations of new facilities, including the proposed Gaithersburg Aquatic/Recreation Center complex and the new Gaithersburg Youth Center at Robertson Park will present challenges for years to come. Additionally, the cost of certain basic City expenses including gasoline, utilities and employee/retiree healthcare are rising much faster than the rate of inflation and we have ever-growing infrastructure maintenance needs. It is important to note that our real property tax rate is already the lowest of any major jurisdiction in Maryland.

## **OVERVIEW**

We are forecasting revenue growth in several categories in FY 2007 and these funds will help us implement and/or upgrade several important functions in both the operating and capital budgets. The Operating Budget will see the most growth in personnel expenses as we bring on additional police officers and employees in public works and code enforcement. The Capital Budget is proposed to see substantial growth, but much of that growth is funded with additional State and County contributions described in later sections.

The total budget will increase in FY 2007 to reflect the growth of expenses associated with City personnel and services and major additions to the Capital Improvements Plan (CIP). Several new initiatives have also been prioritized by the Mayor and Council and are more fully described later in this letter. The City Operating Budget grew by \$3,319,515 and will be \$35,249,305, a 10.4 percent increase over the previous year. The total City Budget, including Operating and Capital components, will be \$45,764,360.

The City's Capital Improvements Plan (CIP) will grow by \$1,288,433 to \$10,515,055. This represents a 14.0 percent increase; lower than FY 2006's 78.0 percent increase but the total CIP budget has grown substantially in the past few years. We can foresee slower growth of the CIP in coming years as several major construction projects are completed. We feel the FY 2007 CIP is funded at a reasonable level, given that the reserve fund balance has grown in recent years and we are receiving considerable outside funding from the Federal, State, and County governments.

Even given substantial budget growth in FY 2007, we plan to use fewer reserve funds to accomplish our goals. We will use \$3,315,743 this year versus \$4,097,870 in FY 2006; a 19.1 percent decrease.

## **REVENUES**

We expect FY 2007 revenues to continue the strong recent growth trend. A 14.5 percent increase is forecast, which builds upon the 14.3 percent increase experienced in FY 2006. Much of the growth is a result of rising real estate assessments and the resulting real property tax revenues. We are also expecting to see gains in building permit fees, grants from the State of Maryland (mostly Program Open Space funding) and Montgomery County relating to the Gaithersburg Aquatic/Recreation Center project, and investment interest income.

We will see a decrease in FY 2007 in Community Development Block Grant funding as a result of program reductions in that program at the Federal level. Other anticipated reductions of note include personal property taxes and developer's escrows.

We again expect to receive revenue from the sale of fixed assets (specifically surplus land) in FY 2007. The continued implementation of the Olde Towne District Master Plan calls for the sale and subsequent development of several City-owned parcels in this area. Any City property considered for sale would follow the processes outlined in the appropriate regulating ordinances.

Total grants from County, State and Federal sources are up across the board. Staff has worked diligently to upgrade our access to these sources and the results have been impressive. Specifically relating to our Federal program, we retain experienced consultants to work with us to educate congressional staff members and elected officials about important City projects. The fiscal conditions of the State of Maryland and Montgomery County also have tremendous influence on several major City revenue sources and we continually monitor them.

In FY 2007, our Grants Administration staff will apply for new grant funds to support many of our Strategic Directions through competitive federal and state grants as well as through congressional budget requests. This function also administers our Community Development Block Grant (CDBG) program. FY 2007 congressional requests include an additional \$400,000 for the Olde Towne Youth Center, \$330,000 for police equipment and technology, and \$92,250 for water quality improvements at Public Works.

In FY 2006 the City was awarded funding for several FY 2007 projects. We received \$430,000 from the State Highway Administration for refurbishment of the rolling stock train cars and for ADA and landscape improvements around the Freight House/Community Museum. The City also secured \$400,000 from the State for the construction of the new Olde Towne Youth Center to replace the existing center on East Diamond Avenue. The City also received grant funding from the Carl M. Freeman Foundation, the Governor's Office on Crime Control and Prevention, and the Maryland State Arts Council. Federal funds were awarded in the amount of \$1,100,000 for the Teacher's Way roadway extension, for a new Senior Center bus in the amount of \$111,000, and \$50,000 for police technology and equipment.

## **OPERATING BUDGET**

The Operating Budget funds virtually all City activities other than the CIP. This includes funds to compensate employees fairly (including benefit costs and post-employment retirement plans), provide materials and supplies to operate all departments, purchase vehicles and equipment, and provide for contingencies and unexpected expenditures.

The largest expense category in the Operating Budget is personnel and each year we receive numerous requests for new staff from the various City departments. Personnel requests relating to the highest priority activities (with an emphasis on public safety and public works) are emphasized and several were eventually approved for consideration. New, upgraded and deleted positions are described below.

### **Proposed Personnel**

Almost 66 percent of the FY 2007 Operating Budget is dedicated to personnel services. This is a slight reduction to the percentage in FY 2006 and this figure includes all new positions. Seven additional positions are approved this year, including three Police Officers, a Senior Public Service Worker, a Medium Equipment Operator and a Project Manager in Public Works, and a Construction Codes Inspector in Planning and Code Administration.

We have determined that four positions will be upgraded from Employment Agreement status to Full Time. These include an Office Manager and a Recreation Supervisor in Parks, Recreation and Culture, the Olde Towne Revitalization Coordinator in Economic Development, and a Lead Help Desk Technician in Information Technology. All of the additional and upgraded positions provide direct services to our residents in support of important Strategic Directions

Mid-year in FY 2006, two existing employment agreement positions were upgraded to full time, both in the Police Department. Additionally, two vacant employment agreement positions, a Business Systems Analyst in Information Technology and a Planning Technician in Planning and Code, were eliminated from the proposed FY 2007 budget.

### **Major Initiatives**

The **Parks, Recreation and Culture** budget reflects preparation for the planning and design of the new Gaithersburg Aquatic/Recreation Center. Increased State and County funding will allow us to move to the design phase of this major new facility. The department will also complete a space utilization study of the existing Senior Center and will be working with other City departments on the construction of Market Square Plaza Park. Staff is also preparing for the 25<sup>th</sup> anniversary of Olde Towne Day, now called “Celebrate Gaithersburg in Olde Towne”.

The **Information Technology** Department's budget reflects initiatives to upgrade key City computer, network and communications systems, and to provide better reliability of computing services. The department will be continuing projects to upgrade and refresh the City's desktop computing systems, and to enhance access to City project information to City officials and citizens.

Three new police officer positions have been approved within the **Police Department**. Recruiting of these new officers will begin this summer. Expenses relating to vehicles, equipment and uniforms are also reflected in this budget and account for most of the operating budget increase. In FY 2007 the department will be working to implement the newest Strategic Direction relating to emergency management, and to coordinate Neighborhood Watch programs.

Staff in **Grants Administration** will be continuing their work on several new initiatives this year, including the implementation of the West Deer Park Homeownership Program and the development and implementation of a comprehensive affordable housing program for the City.

Continued maintenance of our growing City infrastructure such as roads, sidewalks, parks and facilities continues to be the focus of the **Public Works, Parks Maintenance and Engineering Department**. Two new employees will to assist with these efforts and we will be purchasing a number of new vehicles and large pieces of equipment in FY 2007.

Staff of the **Planning and Code Administration** have a number of important development projects and land use proposals to work on. Additionally, a planning charrette relating to the Greater Kentlands Commercial area is planned for the fall of 2006. Planning staff will also work with **Economic Development** on expected proposals related to the vision of the Olde Towne District Master Plan.

## **CAPITAL IMPROVEMENT PROJECTS**

This year's proposed Capital Improvements Plan has grown significantly over FY 2006. The entire increase stems from the additional funding being allocated to the Gaithersburg Aquatic/Recreation Center project. As mentioned in the previous section on revenue, we are expecting major contributions towards this project through contributions from the State of Maryland and Montgomery County. Extension of the CIP through FY 2011 is presented for each activity in the budget (FY 2008 to FY 2011 figures are estimates used for planning purposes).

***Street Reconstruction*** – Almost \$1,800,000 is allocated to this CIP and it is one of our largest recurring CIP accounts, growing steadily in recent years. The major initiative in this account for this year is the rehabilitation of Washingtonian Boulevard.

***Street Resurfacing*** – The tentative schedule for FY 2007 includes the Dorsey Estates and Mission Hills subdivisions, portions of the Washingtonian Woods subdivision, and portions of Russell Avenue. We are proposing an allocation of \$950,000 for this CIP account.

***Gaithersburg Aquatic/Recreation Center*** – The FY 2007 CIP allocates \$1,505,890 in State of Maryland Program Open Space funds and the first of three contributions from Montgomery County, which will total \$6,000,000 over three years. These contributions would bring the FY 2007 fund balance relating to this project to over \$7 million. We will contract for design of the facility in FY 2007 and, if our expected funding sources remain stable, we would begin construction in FY 2008.

***Stormwater Management (SWM)*** – Projects exceeding \$1,250,000 are scheduled for this activity in FY 2007. Major initiatives include the construction of water quality structures at the Public Works Facility, repair of the Lake Helene Dam embankment, repair of the riser and shore protection for Lake Placid, construction of a storm water management retrofit for the ponds at Park Summit, and pond dredging and aeration projects.

***Teacher's Way*** - This CIP has been created to account for the construction of the proposed Teacher's Way project; an important element of the Olde Towne Master Plan. Construction of the road is closely tied to a proposed redevelopment project along East Diamond Avenue, which is currently in the negotiation and planning stage. Because federal funding would be received for this project over five fiscal years, some City funding is provided "up front" and is then partially reimbursed through the subsequent Federal payments.

***Historic District Improvements*** - FY 2007 funding of \$300,000 will support the reconstruction of Brookes Avenue and construction of decorative crosswalks along both Maryland and Brookes Avenues.

***Emergency Preparedness*** – This is another new account for FY 2007. Funding of \$80,000 is proposed to support a review and analysis of the City's emergency preparedness needs. The study is expected to address the issues of shelter-in-place, the need for a local Emergency Operations Center, and emergency power to provide uninterrupted City services during emergency events and disaster recovery.

***Market Square Park Plaza*** – A design for this innovative project was completed early in 2006 and construction is expected to commence soon. Funding of \$472,500 is proposed in the FY 2007 budget. The project involves the creation of a new park/plaza on a parcel within the Market Square Shopping Center at the former location of the ice skating rink/miniature golf course.

***Other Projects of Interest*** – Some other projects of interest in the FY 2007 Capital Improvements Plan include \$200,000 for the Gaithersburg Senior Center, \$395,000 for repairs and maintenance to the Kentlands Mansion, \$290,000 for space utilization assessments and repairs at City facilities, \$200,000 for Technology Projects, \$250,000 for Sidewalks, Handicapped Ramps and Bike Pathways, and \$140,000 in Renovation/Improvements to Existing Parks for design and construction of press boxes at Morris Park.

## CONCLUSION

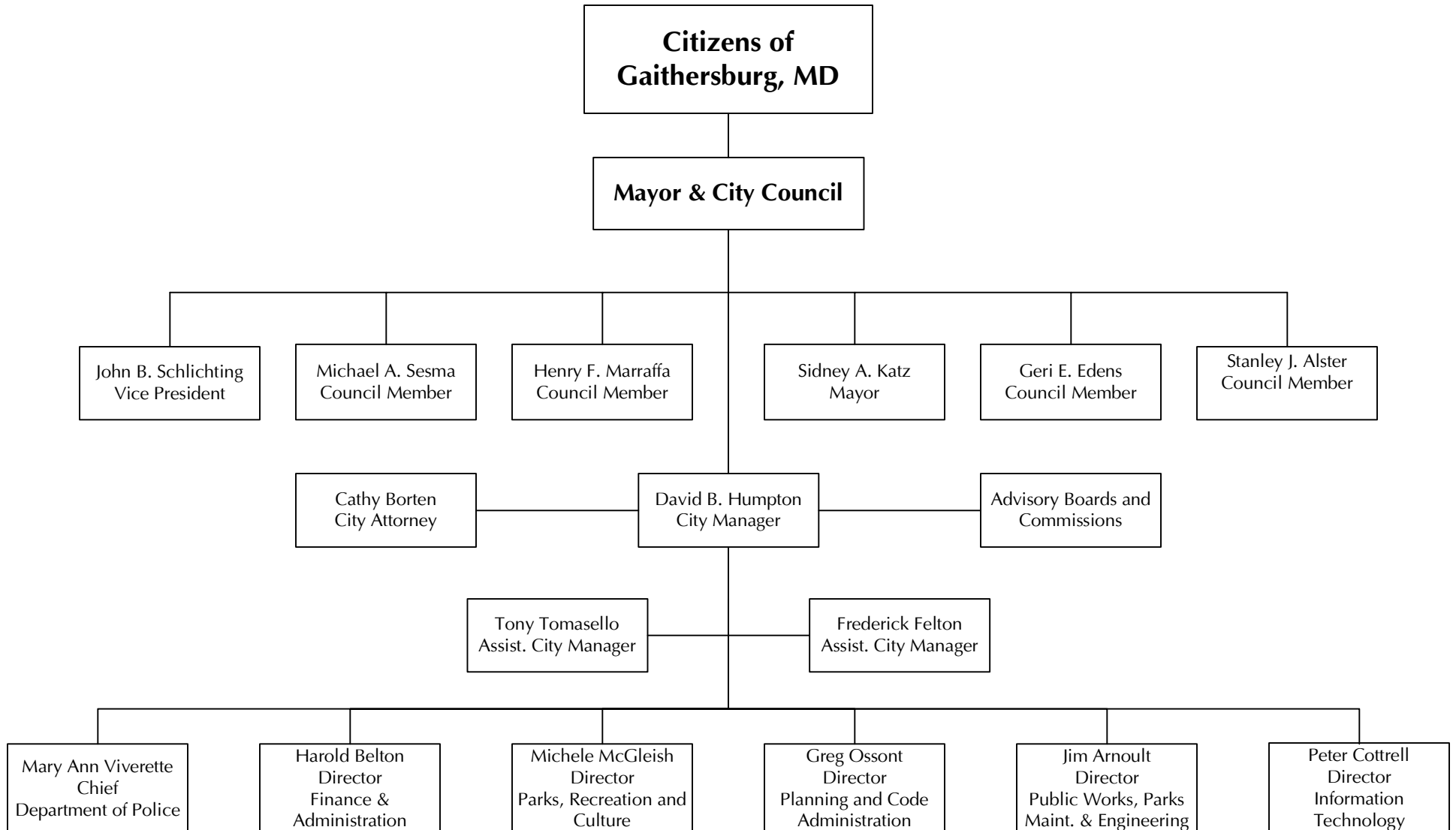
We continue to enjoy strong revenue growth that allows us to undertake new initiatives and facilities to meet the needs of our residents. Our priorities have remained consistent, with emphasis on the delivery of excellent community services, responsiveness to community input and issues, and careful financial management to keep our tax rates stable and avoid debt.

It is a pleasure to work with our dedicated staff, the citizen volunteers who work on our committees, the citizens who participate in the Budget Public Forum, and with the Mayor and Council in the annual budget process. Their commitment to our City is much appreciated and this collaborative approach ensures that Gaithersburg's financial strength is ensured for years to come.

Sincerely,

David B. Humpton  
City Manager

# CITY OF GAITHERSBURG, MARYLAND



### **Mission**

The Gaithersburg City government exists to provide quality, cost effective, priority community services for its citizens. We are a CHARACTER COUNTS! City that serves as a catalyst for the involvement of residents, businesses, and organizations to ensure that Gaithersburg is a great place to live, work, learn, and play.

### **Vision**

Gaithersburg will set the standard for other cities as a “special” place where people want to live, work, learn, and play. Gaithersburg will be a City that:

- Lives by the Six Pillars of CHARACTER COUNTS! (trustworthiness, respect, responsibility, fairness, caring and citizenship).
- Has retained the best qualities of a small town and respects its heritage while embracing the opportunities that new technologies provide.
- Has involved and supportive citizens and businesses reflecting the diversity of the community.
- Has a fiscally conservative, proactive government.
- Has safe, highly livable neighborhoods with a variety of housing types and styles served by diverse transportation options.
- Has a desirable business environment and diverse employment options.
- Has excellent learning opportunities that meet the needs of the community.
- Has attractive and beautifully maintained parks and public places.
- Has many leisure time activities that meet the needs of the community.
- Has a high quality, family-friendly environment for people of all ages and cultures.
- Has citizens with a strong sense of community and individual responsibility.
- Has a natural environment that is protected, respected, and enhanced.
- Has strong partnerships to meet the needs of the community.
- Has a community that encourages individual health and wellness.



The City of Gaithersburg's Strategic Directions establish an overall approach to achieving the City's vision.

- Ensure that all planning and development considers and responds to the City's environmental, transportation, economic, social, and civic needs.
- Implement traffic and transportation management strategies to improve the safety, structure and function of streets, transit, bikeways and sidewalks within the City.
- Actively pursue Olde Towne Blueprint.
- Maintain and enhance priority City services.
- Pursue programs that preserve and improve current and future housing stock and mix (e.g., aging apartments).
- Maintain support of neighborhood Community Policing programs.
- Implement programs to enhance delivery of services that address the needs of the City's culturally diverse populations.
- Implement the Master Plan for parks, recreation, cultural and leisure time activities.
- Implement recommendations from ongoing evaluations of natural resources and encourage protection and enhancement of the environment (streams, parks, stormwater management, and other CIP projects).
- Actively pursue economic development programs and strategies.
- Continue communication activities and implement programs that promote citizen involvement.

We are guided by the **Six Pillars of CHARACTER COUNTS!** as demonstrated by:

#### **CUSTOMER FOCUS**

We actively pursue the identification of citizen needs through citizen involvement to provide effective service to our community with efficiency, accountability, and a **CARING** attitude.

#### **OPEN COMMUNICATION**

We promote honest, open communication and easy access to information.

#### **CREATIVITY**

We strive to improve the quality and efficiency of City services through creative approaches and new, innovative, and cost effective technologies.

#### **FISCAL RESPONSIBILITY**

We provide quality services, of the best value, to effectively meet the needs of our community while maintaining a pay-as-you-go philosophy.

#### **COOPERATION**

We promote a spirit of **FAIRNESS, TRUSTWORTHINESS, RESPECT** and teamwork among our elected officials, City employees, residential and business communities, neighboring jurisdictions, and other governmental agencies.

#### **COMMITMENT OF EXCELLENCE**

We strive to achieve excellence in all we do.

#### **CONTINUOUS IMPROVEMENT**

We advocate good **CITIZENSHIP** and support the freedom to actively pursue suggestions, ideas, and creative approaches, leading to continuous improvement in everything we do.